HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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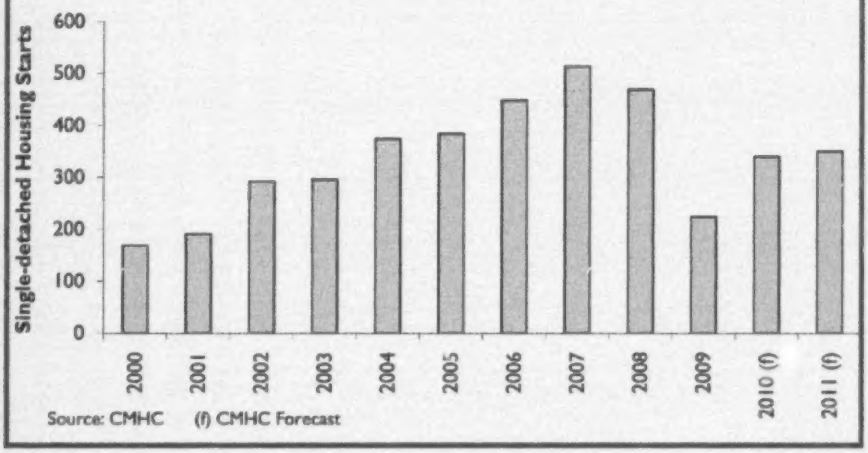
Market at a Glance

- Existing home sales in Sudbury will grow to 2,300 and 2,450 units this year and next year respectively.
- Expect solid average MLS® price growth this year as early year strength set the tone for the year. In 2011, the rate of change in prices will slow as increased new listings will take the edge off price gains.
- Single-detached housing starts will rise in 2010 before increasing again next year, yet in smaller numbers. Pent-up demand caused by the Vale Inco local labour dispute is partially satisfied by the new home market.
- Sudbury's total employment will increase modestly in 2010, due primarily to a recovery in the goods-producing sector leading to gains in the service sector.

Figure 1

Sudbury Single-Detached Home Starts on the Rebound



Source: CMHC (f) CMHC Forecast

[1] The forecasts included in this document are based on information available as of October 8, 2010.

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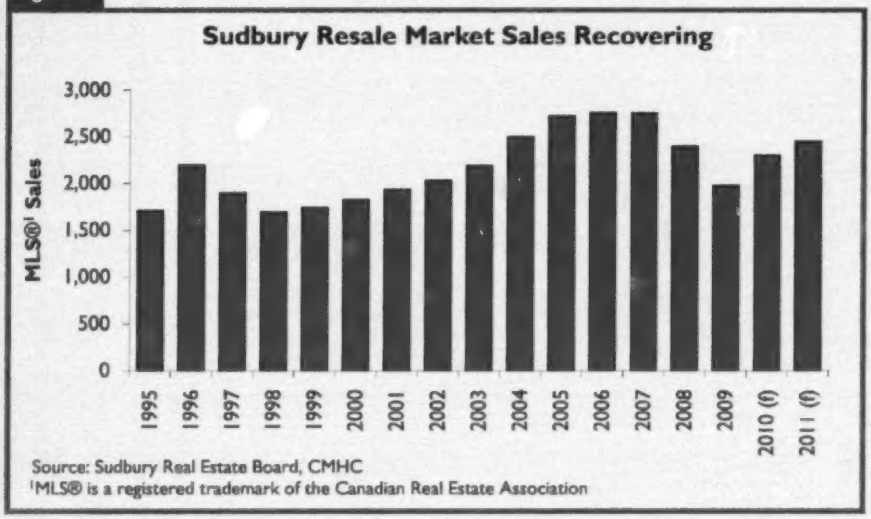
Figure 2



Resale Market

MLS® sales to continue forging ahead in 2011

After a remarkably strong 2010, Sudbury existing home sales will grow again in 2011 as remaining pent up demand is satisfied. Existing home sales in Sudbury were surprisingly strong to the end of May this year only to cool slightly in the third quarter. Given the end of the Vale Inco strike, resurgence in the final four months of 2010 will carry forward into next year with sales growing another 6.5 per cent in 2011.

Several factors will affect housing demand in the coming years. Firstly, migration into Sudbury is expected to increase this year and next. Migration numbers for 2007-08 show strong numbers of in-migrants coming from the 25-44 age group which tends to result in more first-time homebuyer activity. More importantly, the recent upswing in employment in Sudbury coming out of the recession and since the end of the Vale Inco strike, will continue to be led by this age group.

Secondly, mortgage rates will decrease modestly improving demand marginally over the forecast horizon. Required income to purchase a resale home will not keep pace with anticipated gains in actual income over the next year and a half; nevertheless, the anticipated stimulative effect on the market caused by these changes over the next 18 months will not be significant.

Balanced market not anticipated to change

Year-to-date listings are up 14 per cent with potential sellers taking advantage of a higher price point established in the region. Listings are forecast to continue to trend up in 2011 as the market stabilizes and buyers look to list in an environment where employment is growing and homes are considered to be a good value given the price adjustments in 2009. Although new listings growth is still more modest than sales, the sales-to-new listings ratio suggests that the market will remain in balanced territory in late 2010 and into 2011.

Modest employment growth in 2011 will keep demand growth under control while listings increases will be the other key reason that will suppress average price growth. In 2011, price growth is projected to moderate slightly.

New Home Market

Housing starts return to healthier levels

In 2010, total new home starts will reach 550 units. While single-detached starts will rebound in 2010, row homes and apartments will decline marginally from 2009 levels. The introduction of

Figure 3

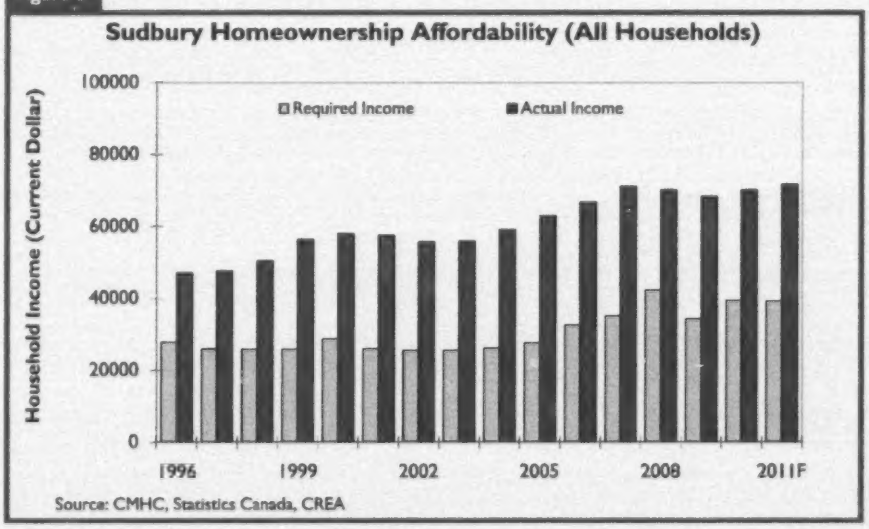
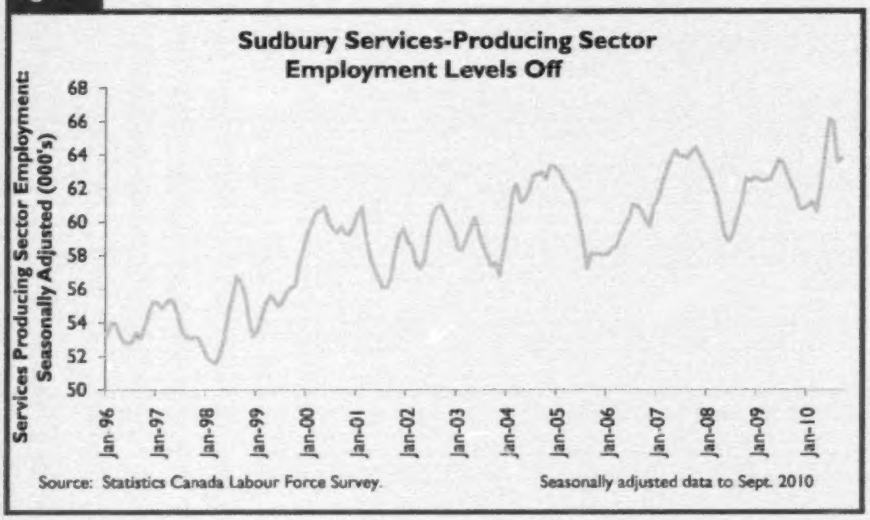


Figure 4



the HST on July 1st and concerns about increasing mortgage rates brought forward construction of new singles this year despite the labour dispute at Vale Inco. Going into 2011, singles starts will strengthen marginally while multi-family starts will enjoy another healthy, yet slightly slower year.

Given the presence of the afore-mentioned labour unrest in the region, the return to more buoyant housing starts in Sudbury came as a bit of a surprise early in the year. Throughout the first four months of 2010, Sudbury demonstrated that it was not solely reliant on the mining industry, as households from other sectors than those impacted by the dispute, supported the housing market.

In Sudbury's post-strike environment, the third quarter was a good one for single detached home starts and the fourth quarter will remain reasonably strong. With much pent up demand satisfied throughout 2010, single family home starts stand to strengthen only marginally next year. Additionally, the generally high price of a new home compared to a resale home could affect demand for new homes.

Apartment starts to continue above recent averages

The condominium market is also attracting interest after very little activity for many years. In 2011, interest in the condominium market will match interest in the rental market as a different demographic of consumers emerges, representing a changing lifestyle. Multi-family starts will total 150 units made up of 80 private rentals, 60 condominium apartments and ten semi-detached units. Next year they will encounter a rise as developers continue to rediscover the market for higher density forms of rental and homeownership accommodation.

The extent to which future exploration and expansion work at the existing mines requires temporary construction workers and enrolment levels at Cambrian College and Laurentian University will be key indicators of rental demand going forward. A new residence complex is being completed at Laurentian University to meet the current need of student housing; however looking ahead, the expectation is that increased demand for rental will offset added supply.

Economy

Positive employment growth to continue in 2011

The Greater Sudbury economy is

Figure 5

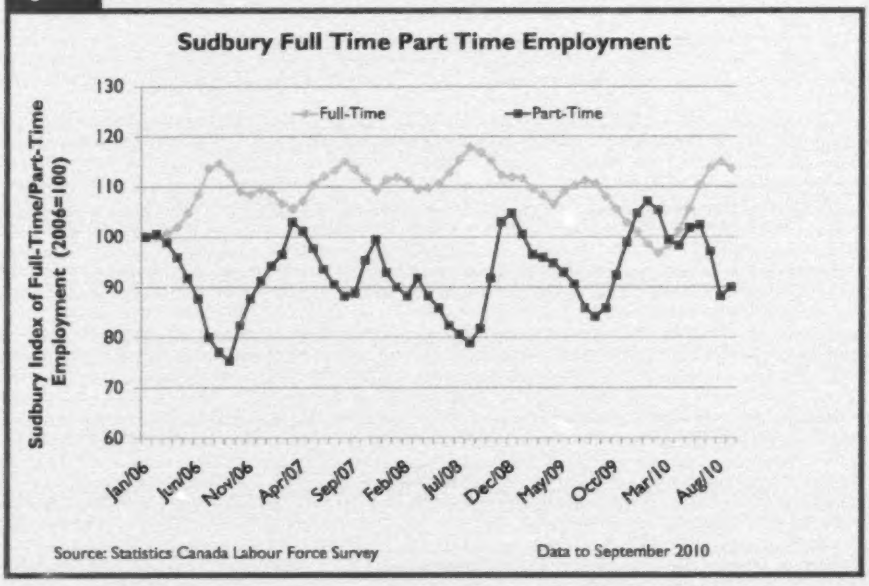
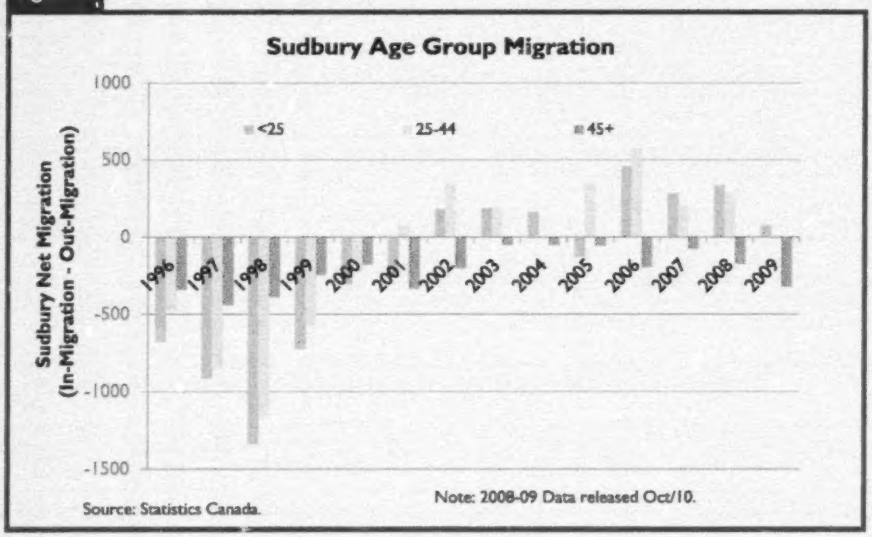


Figure 6



showing significant signs of recovery as measured by employment growth, according to the recent results of the Labour Force Survey. In light of the strike settlement at Vale Inco, the services producing sector of the Sudbury economy, which slowed down after a strong run that commenced in 1998, should continue recovering next year.

Goods-producing sector job growth has had a positive impact on employment numbers over the past few months. Total employment will grow moderately this year and is expected to edge even higher in 2011. Vale Inco has several significant projects on the horizon for upgrading their Sudbury operations. These projects scheduled to move ahead in 2011 will provide a boost to the construction sector. Although forecasters are calling for a decline in nickel prices, the expectation is that they are not destined to fall significantly from their present level, leaving the commodity in a favourable position as compared to operating costs.

Full-time employment trends to boost housing market activity

The emerging picture concerning the split between full-time and part-time jobs is quite encouraging for the Greater Sudbury Housing Market. Just as the majority of the jobs lost in 2009 were full-time positions, the majority of jobs that will continue to be created during the recent recovery will be full-time, which of course, have a greater impact on the housing market than part-time positions.

Mortgage rate outlook

According to CMHC's base case scenario, posted mortgage rates will remain flat in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.2 to 6.1 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 2.7 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range.

Forecast Summary
Greater Sudbury CMA
Fall 2010

	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	2,754	2,396	1,977	2,300	16.3	2,450	6.5
MLS® New Listings	3,834	4,829	4,307	4,700	9.1	4,800	2.1
MLS® Average Price ($)	182,536	211,614	200,947	222,000	10.5	226,000	1.8
New Home Market							
Starts:							
Single-Detached	514	469	224	340	51.8	350	2.9
Multiples	73	74	226	210	-7.1	150	-28.6
Semi-Detached	28	32	8	10	25.0	10	0.0
Row/Townhouse	37	19	74	0	n/a	0	n/a
Apartments	8	23	144	150	n/a	140	250.0
Starts - Total	587	543	450	550	22.2	500	-9.1
Average Price ($):							
Single-Detached	307,314	336,847	370,755	360,426	-2.8	367,634	2.0
Median Price ($):							
Single-Detached	289,000	322,450	339,900	341,797	0.6	345,215	1.0
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	4.3	5.5	0.7	0.8	-	1.0	-
Rental Market							
October Vacancy Rate (%)	0.6	0.7	2.9	3.9	1.0	3.5	-0.4
Two-bedroom Average Rent (October) ($)	749	800	830	850	-	870	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	3.47	-	3.20	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	5.59	-	5.20	-
Annual Employment Level	80,900	81,400	78,700	75,000	-4.7	76,000	1.3
Employment Growth (%)	3.6	0.6	-3.3		-		-
Unemployment rate (%)	5.7	5.6	9.2	10.2	-	9.5	-
Net Migration	342	489	481	250	-48.0	150	**

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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